

12.  
**NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.**

Producers 88 (4-89) — Paid Up  
With 640 Acres Pooling Provision  
5 year lease for MULTIPLE LOTS

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**PAID UP OIL AND GAS LEASE  
(No Surface Use)**

THIS LEASE AGREEMENT is made this 6<sup>th</sup> day of May, 2008, by and between **WELLS FARGO BANK, NATIONAL ASSOCIATION**, a national banking association, as Lessor (whether one or more), whose address is c/o Corporate Properties Group, MAC Q2129-113, 200 Lomas Blvd. N.W., Suite 1110, Albuquerque, New Mexico 87102, and **DALE PROPERTY SERVICES L.L.C. 2100 Ross Ave Suite 1870 Dallas, Texas, 75201**, as Lessee. All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

1. In consideration of a cash bonus in hand paid and the covenants herein contained, Lessor hereby grants, leases and lets exclusively to Lessee the following described land, hereinafter called leased premises:

5.89 acres of land, more or less, being Blk 1 Lot 1, of the First State Bank Plaza Addition, an addition to the city of Bedford, thereof recorded in Volume 388-169, Page 67, of the Plat records of Tarrant County, Texas.

in the county of Tarrant, State of TEXAS, containing 5.89 gross acres, more or less (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and non hydrocarbon substances produced in association therewith (including geophysical/seismic operations). The term "gas" as used herein includes helium, carbon dioxide and other commercial gases, as well as hydrocarbon gases. In addition to the above-described leased premises, this lease also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described leased premises, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any shut-in royalties hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less.

2. This lease, which is a "paid-up" lease requiring no rentals, shall be in force for a primary term of five (5) years from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof.

3. Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be Twenty-Five (25%) of such production, to be delivered at Lessee's option to Lessor at the wellhead or to Lessor's credit at the oil purchaser's transportation facilities, provided that Lessee shall have the continuing right to purchase such production at the wellhead market price then prevailing in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) for production of similar grade and gravity; (b) for gas (including casinghead gas) and all other substances covered hereby, the royalty shall be Twenty-Five (25%) of the proceeds realized by Lessee from the sale thereof, less a proportionate part of ad valorem taxes and production, severance, or other excise taxes; provided that Lessee shall have the continuing right to purchase such production at the prevailing wellhead market price paid for production of similar quality in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) pursuant to comparable purchase contracts entered into on the same or nearest preceding date as the date on which Lessee commences its purchases hereunder; and (c) if at the end of the primary term or any time thereafter one or more wells on the leased premises or lands pooled therewith are capable of either producing oil or gas or other substances covered hereby in paying quantities or such wells are waiting on hydraulic fracture stimulation, but such well or wells are either shut-in or production therefrom is not being sold by Lessee, such well or wells shall nevertheless be deemed to be producing in paying quantities for the purpose of maintaining this lease. Lessee covenants and agrees to use reasonable diligence to produce, utilize, or market the minerals capable of being produced from said wells, but in the exercise of such diligence, lessee shall not be obligated to install or furnish facilities other than well facilities and ordinary lease facilities of flow lines, separator, and lease tank, and shall not be required to settle labor trouble or to market gas upon terms unacceptable to lessee. If for a period of 90 consecutive days such well or wells are shut-in or production therefrom is not being sold by Lessee, then Lessee shall pay shut-in royalty of one dollar per acre then covered by this lease, such payment to be made to Lessor or to Lessor's credit in the depository designated below, on or before the end of said 90-day period and thereafter on or before each anniversary of the end of said 90-day period while the well or wells are shut-in or production therefrom is not being sold by Lessee; provided that if this lease is otherwise being maintained by operations, or if production is being sold by Lessee from another well or wells on the leased premises or lands pooled therewith, no shut-in royalty shall be due until the end of the 90-day period next following cessation of such operations or production. Lessee's failure to properly pay shut-in royalty shall render Lessee liable for the amount due, but shall not operate to terminate this lease.

4. All shut-in royalty payments under this lease shall be paid or tendered to Lessor or to Lessor's credit in at lessor's address above or its successors, which shall be Lessor's depository agent for receiving payments regardless of changes in the ownership of said land. All payments or tenders may be made in currency, or by check or by draft and such payments or tenders to Lessor or to the depository by deposit in the US Mails in a stamped envelope addressed to the depository or to the Lessor at the last address known to Lessee shall constitute proper payment. If the depository should liquidate or be succeeded by another institution, or for any reason fail or refuse to accept payment hereunder, Lessor shall, at Lessee's request, deliver to Lessee a proper recordable instrument naming another institution as depository agent to receive payments.

5. Except as provided for in Paragraph 3. above, if Lessee drills a well which is incapable of producing in paying quantities (hereinafter called "dry hole") on the leased premises or lands pooled therewith, or if all production (whether or not in paying quantities) permanently ceases from any cause, including a revision of unit boundaries pursuant to the provisions of Paragraph 6 or the action of any governmental authority, then in the event this lease is not otherwise being maintained in force it shall nevertheless remain in force if Lessee commences operations for reworking an existing well or for drilling an additional well or for otherwise obtaining or restoring production on the leased premises or lands pooled therewith within 90 days after completion of operations on such dry hole or within 90 days after such cessation of all production. If at the end of the primary term, or at any time thereafter, this lease is not otherwise being maintained in force but Lessee is then engaged in drilling, reworking or any other operations reasonably calculated to obtain or restore production therefrom, this lease shall remain in force so long as any one or more of such operations are prosecuted with no cessation of more than 90 consecutive days, and if any such operations result in the production of oil or gas or other substances covered hereby, as long thereafter as there is production in paying quantities from the leased premises or lands pooled therewith. After completion of a well capable of producing in paying quantities hereunder, Lessee shall drill such additional wells on the leased premises or lands pooled therewith as a reasonably prudent operator would drill under the same or similar circumstances to (a) develop the leased premises as to formations then capable of producing in paying quantities on the leased premises or lands pooled therewith, or (b) to protect the leased premises from uncompensated drainage by any well or wells located on other lands not pooled therewith. There shall be no covenant to drill exploratory wells or any additional wells except as expressly provided herein.

6. Lessee shall have the right but not the obligation to pool all or any part of the leased premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of production, whenever Lessee deems it necessary or proper to do so in order to prudently develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The unit formed by such pooling for an oil well which is not a horizontal completion shall not exceed 80 acres plus a maximum acreage tolerance of 10%, and for a gas well or a horizontal completion shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so. For the purpose of the foregoing, the terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or the appropriate governmental authority, or, if no definition is so prescribed, "oil well" means a well with an initial gas-oil ratio of less than 100,000 cubic feet per barrel and "gas well" means a well with an initial gas-oil ratio of 100,000 cubic feet or more per barrel, based on 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment; and the term "horizontal completion" means an oil well in which the horizontal component of the gross completion interval in the reservoir exceeds the vertical component thereof. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling or reworking operations anywhere on a unit which includes all or any part of the leased

premises shall be treated as if it were production, drilling or reworking operations on the leased premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit, but only to the extent such proportion of unit production is sold by Lessee. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, in order to conform to the well spacing or density pattern prescribed or permitted by the governmental authority having jurisdiction, or to conform to any productive acreage determination made by such governmental authority. In making such a revision, Lessee shall file of record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. In the absence of production in paying quantities from a unit, or upon permanent cessation thereof, Lessee may terminate the unit by filing of record a written declaration describing the unit and stating the date of termination. Pooling hereunder shall not constitute a cross-conveyance of interests.

7. If Lessor owns less than the full mineral estate in all or any part of the leased premises, the royalties and shut-in royalties payable hereunder for any well on any part of the leased premises or lands pooled therewith shall be reduced to the proportion that Lessor's interest in such part of the leased premises bears to the full mineral estate in such part of the leased premises.

8. The interest of either Lessor or Lessee hereunder may be assigned, devised or otherwise transferred in whole or in part, by area and/or by depth or zone, and the rights and obligations of the parties hereunder shall extend to their respective heirs, devisees, executors, administrators, successors and assigns. No change in Lessor's ownership shall have the effect of reducing the rights or enlarging the obligations of Lessee hereunder, and no change in ownership shall be binding on Lessee until 60 days after Lessee has been furnished the original or certified or duly authenticated copies of the documents establishing such change of ownership to the satisfaction of Lessee or until Lessor has satisfied the notification requirements contained in Lessee's usual form of division order. In the event of the death of any person entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to the credit of decedent or decedent's estate in the depository designated above. If at any time two or more persons are entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to such persons or to their credit in the depository, either jointly or separately in proportion to the interest which each owns. If Lessee transfers its interest hereunder in whole or in part Lessee shall be relieved of all obligations thereafter arising with respect to the transferred interest, and failure of the transferee to satisfy such obligations with respect to the transferred interest shall not affect the rights of Lessee with respect to any interest not so transferred. If Lessee transfers a full or undivided interest in all or any portion of the area covered by this lease, the obligation to pay or tender shut-in royalties hereunder shall be divided between Lessee and the transferee in proportion to the net acreage interest in this lease then held by each.

9. Lessee may, at any time and from time to time, deliver to Lessor or file of record a written release of this lease as to a full or undivided interest in all or any portion of the area covered by this lease or any depths or zones thereunder, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. If Lessee releases all or an undivided interest in less than all of the area covered hereby, Lessee's obligation to pay or tender shut-in

royalties shall be proportionately reduced in accordance with the net acreage interest retained hereunder.

10. In exploring for, developing, producing and marketing oil, gas and other substances covered hereby on the leased premises or lands pooled or unitized herewith, in primary and/or enhanced recovery, Lessee shall have the right of ingress and egress along with the right to conduct such operations on the leased premises as may be reasonably necessary for such purposes, including but not limited to performing geophysical operations, making surveys, and using existing roads and/or driveways deemed necessary by Lessee to discover, produce, store, treat and/or transport production. Lessee may use in such operations, free of cost, any oil, gas, water and/or other substances produced on the leased premises, except water from Lessor's wells or ponds. In exploring, developing, producing or marketing from the leased premises or lands pooled therewith, the ancillary rights granted herein shall apply (a) to the entire leased premises described in Paragraph 1 above, notwithstanding any partial release or other partial termination of this lease; and (b) to any other lands in which Lessor now or hereafter has authority to grant such rights in the vicinity of the leased premises or lands pooled therewith. When requested by Lessor in writing, Lessee shall bury its pipelines below ordinary plow depth on cultivated lands. No well shall be located less than 200 feet from any house, barn, or other building and/or structure now on the leased premises or other lands used by Lessee hereunder, without Lessor's consent, and Lessee shall pay for damage caused by its operations to buildings and other improvements now on the leased premises or such other lands, and to commercial timber and growing crops thereon. Lessee shall have the right at any time to remove its fixtures, equipment and materials, including well casing, from the leased premises or such other lands during the term of this lease or within a reasonable time thereafter.

11. Lessee's obligations under this lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction including restrictions on the drilling and production of wells, and the price of oil, gas, and other substances covered hereby. When drilling, reworking, production or other operations are prevented or delayed by such laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control, this lease shall not terminate because of such prevention or delay, and at Lessee's option, the period of such prevention or delay shall be added to the term hereof. Lessee shall not be liable for breach of any express or implied covenants of this lease when drilling, production or other operations are so prevented, delayed or interrupted.

12. In the event that Lessor, during the primary term of this lease, receives a bona fide offer which Lessor is willing to accept from any party offering to purchase from Lessor a lease covering any or all of the substances covered by this lease and covering all or a portion of the land described herein, with the lease becoming effective upon expiration of this lease, Lessor hereby agrees to notify Lessee in writing of said offer immediately, including in the notice the name and address of the offeror, the price offered and all other pertinent terms and conditions of the offer. Lessee, for a period of fifteen days after receipt of the notice, shall have the prior and preferred right and option to purchase the lease or part thereof or interest therein, covered by the offer at the price and according to the terms and conditions specified in the offer.

13. No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder, for a period of at least 60 days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default, within such period.

14. For the same consideration recited above, Lessor hereby grants, assigns and conveys unto Lessee, its successors and assigns, a perpetual subsurface well bore easement under and through the leased premises for the placement of well bores (along routes selected by Lessee) from oil or gas wells the surface locations of which are situated on other tracts of land and which are not intended to develop the leased premises or lands pooled therewith and from which Lessor shall have no right to royalty or other benefit. Such subsurface well bore easements shall run with the land and survive any termination of this lease.

15. Lessor hereby warrants and agrees to defend title conveyed to Lessee hereunder, and agrees that Lessee at Lessee's option may pay and discharge any taxes, mortgages or liens existing, levied or assessed on or against the leased premises. If Lessee exercises such option, Lessee shall be subrogated to the rights of the party to whom payment is made, and, in addition to its other rights, may reimburse itself out of any royalties or shut-in royalties otherwise payable to Lessor hereunder. In the event Lessee is made aware of any claim inconsistent with Lessor's title, Lessee may suspend the payment of royalties and shut-in royalties hereunder, without interest, until Lessee has been furnished satisfactory evidence that such claim has been resolved.

16. Notwithstanding anything contained to the contrary in this lease, Lessee shall not have any rights to use the surface of the leased premises for drilling or other operations.

**DISCLAIMER OF REPRESENTATIONS: Lessor acknowledges that oil and gas lease payments, in the form of rental, bonus and royalty, are market sensitive and may vary depending on multiple factors and that this Lease is the product of good faith negotiations. Lessor understands that these lease payments and terms are final and that Lessor entered into this lease without duress or undue influence. Lessor recognizes that lease values could go up or down depending on market conditions. Lessor acknowledges that no representations or assurances were made in the negotiation of this lease that Lessor would get the highest price or different terms depending on future market conditions. Neither party to this lease will seek to alter the terms of this transaction based upon any differing terms which Lessee has or may negotiate with any other lessors/oil and gas owners.**

**See Attached Exhibit B for Additional Terms.**

IN WITNESS WHEREOF, this lease is executed to be effective as of the date first written above, but upon execution shall be binding on the signatory and the signatory's heirs, devisees, executors, administrators, successors and assigns, whether or not this lease has been executed by all parties hereinabove named as Lessor.

**LESSOR (WHETHER ONE OR MORE)**

WELLS FARGO BANK, NATIONAL ASSOCIATION,  
a national banking association

By: [Signature]  
Gary D. Williams, Vice President

By: Bob Williams  
Bob Williams, Officer

STATE OF NEW MEXICO

§  
§  
§

COUNTY OF BERNALILLO

This instrument was acknowledged before me on May 6, 2008, by Gary D. Williams, Vice President of WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association, on behalf of said association.



OFFICIAL SEAL  
BEVERLY RACHEL CHAVEZ  
NOTARY PUBLIC-STATE OF NEW MEXICO  
My commission expires 5/3/12

[Seal]

Beverly Rachel Chavez  
Notary Public in and for the  
STATE OF New Mexico

STATE OF NEW MEXICO

§  
§  
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COUNTY OF BERNALILLO

This instrument was acknowledged before me on May 6, 2008, by Bob Williams, Officer of WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association, on behalf of said association.



OFFICIAL SEAL  
BEVERLY RACHEL CHAVEZ  
NOTARY PUBLIC-STATE OF NEW MEXICO  
My commission expires 5/3/12

[Seal]

Beverly Rachel Chavez  
Notary Public in and for the  
STATE OF New Mexico

LESSEE:

DALE PROPERTY SERVICES, L.L.C.

By: [Signature]  
Name: Mike Taliqferro  
Title: President

STATE OF Texas §  
COUNTY OF Tarrant §  
§

This instrument was acknowledged before me on May 8th, 2008,  
by Mike Taliqferro, President of DALE PROPERTY SERVICES, L.L.C.,  
a Texas limited liability company, on behalf of said company.



Notary Public in and for the  
STATE OF Texas

[Signature]



## Exhibit "B"

**Attached to and made a part of that certain Paid Up Oil and Gas Lease from Wells Fargo Bank, National Association, as Lessor, and DALE PROPERTY SERVICES L.L.C., as Lessee**

NOTWITHSTANDING ANYTHING IN THE LEASE TO THE CONTRARY:

17. **Pugh Clause.** In the event the Lessee exercises its option to pool or unitize the leased premises or any portion thereof pursuant to paragraph 6 above, and elects to include less than the entire acreage covered by this Lease in the pooled unit, then operations on or production from the pooled unit shall only serve to maintain this Lease in force and effect as to the acreage included in the pooled unit. This Lease may be maintained as to the acreage not included in the pooled unit in any other manner provided for in this Lease.

18. **Horizontal Pugh Clause.** Two (2) years after the end of the primary term hereof, it is understood and agreed that this Lease shall automatically expire and terminate as to all depths lying 100 feet below the base of the deepest formation logged and capable of producing in commercial quantities on such date, or the stratigraphic equivalent thereof, in any well or wells situated on the leased premises or on any other land pooled therewith.

19. **Copy of Instruments to Lessor.** In the event Lessee elects to:

- (a) pool or unitize the leased premises or any portion thereof pursuant to paragraph 6 above;
- (b) enlarge or dissolve an existing pooled unit, which includes all, or part of the leased premises pursuant to paragraph 6 above;
- (c) after obtaining the necessary consent from Lessor pursuant to paragraph 25 below, assign all or a portion of the leasehold working interest pursuant to paragraph 8 above;
- (d) release all or part of the leased premises pursuant to paragraph 9 above; or
- (e) allow this Lease to terminate or expire as to all or part of the leased premises;

Lessee shall file and record the appropriate instrument reflecting that election in the public records of county(ies) in which the applicable portion of the leased premises is situated within 30 days after the date of the election, and shall furnish Lessor a copy of the recorded instrument within 30 days of the date of recordation. Lessee agrees that it shall pay Lessor liquidated damages in the sum of \$10.00 per day for each and every day Lessee fails to comply with this provision. Lessee expressly agrees that the damage Lessor shall suffer for Lessee's failure to comply with this provision is incapable or difficult of estimation, and that the \$10.00 per day amount of liquidated damages is a reasonable forecast of just compensation to Lessor. Provided, however, the maximum amount to be paid by Lessee for any and all violations of this provision shall not exceed the sum of \$5,000.00.

20. **Maximum Shut in Period.** After the expiration of the primary term, this Lease may only be maintained in force and effect by the payment of shut-in payments pursuant to paragraph 3 above a maximum consecutive period of no more than two (2) years following the shutting-in of a well, and no more than three (3) years in the aggregate.

21. **Minerals.** This Lease covers and includes only oil, gas and other gaseous and liquid hydrocarbons, and such other minerals as may be produced incidental to and as a part of or mixed with such oil, gas and other gaseous and liquid hydrocarbons. This Lease does not cover any other minerals or substances of any type which may be produced or mined from the leased premises separate and apart from, or independently of oil, gas

or other liquid or gaseous hydrocarbons. Such oil, gas, other gaseous and liquid hydrocarbons, and other incidentally produced minerals covered by this Lease are hereafter collectively called "Oil and Gas."

22. **Limitations on Deductions.** It is agreed between the Lessor and Lessee that, notwithstanding any language herein to the contrary, all oil, gas or other proceeds accruing to the Lessor under this lease or by state law shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, and marketing the oil, gas and other products produced hereunder to transform the product into marketable form; however, any such costs incurred on an unaffiliated interstate or intrastate gas pipeline which result in enhancing the value of the marketable oil, gas or other products to receive a better price may be deducted from Lessor's share of production so long as they are based on Lessee's actual cost of such enhancements. In no event shall Lessor receive a price that is less than, or more than, the price received by Lessee.

23. **No Warranty.** This Lease is made by Lessor, and accepted by Lessee, with no warranty of title, express or implied.

24. **Judicial Cancellation.** In the event this Lease is cancelled in full or in part by a final order of a court of competent jurisdiction, such cancellation shall be binding on Lessee and its successors and permitted assigns.

25. **Assignment.** Prior to any assignment of this lease or any rights thereunder Lessee agrees to notify Lessor of the name and address of the proposed assignee(s) and to obtain Lessor's prior written consent, which consent shall not be unreasonably withheld or delayed, provided that assignments of working interests to officers, directors and subsidiaries of Chesapeake Exploration, L.L.C. may be made without such consent so long as the aggregate working interest in this lease conveyed by all such assignments does not exceed a ten percent (10%) working interest. Every such assignment or sublease which shall be made without the written consent of Lessor first had and obtained shall be void, and although made with the written consent of Lessor, any such assignment or sublease shall, nevertheless, be void unless it also contains a limitation in favor of Lessor requiring that the written consent of Lessor must be obtained prior to any further assignment or subletting of the rights of Lessee hereunder.

26. **Representations, warranties and indemnities by Lessee.** Lessee represents and warrants to Lessor that Lessee and its agents, employees, representatives, contractors and permitted assigns will not commit any act or omission that could in any way constitute, cause or result in a violation of any applicable law, statute, ordinance, rule, regulation, order or determination of any governmental authority in connection with its permitted activities and operations on Lessor's land, including, without limitation, all applicable laws pertaining to health or the environment (hereinafter sometimes collectively called the "Applicable Environmental Laws"), including, without limitation, the Comprehensive Environmental Response Compensation and Liability Act of 1980 ("CERCLA"), the Resource Conservation and Recovery Act of 1976 ("RCRA"), the Texas Water Code and the Texas Soil and Waste Disposal Act. Lessee shall take all steps necessary to prevent the contamination of Lessor's land by hazardous substances and/or solid wastes. No hazardous substances or solid wastes shall be disposed of or otherwise released onto Lessor's lands. The terms "hazardous substances" and "release" shall have the meaning specified in CERCLA and the terms "solid wastes" and "disposal" (or "disposed") shall have the meaning specified in RCRA; provided, to the extent that the laws of the State of Texas establish a meaning for "hazardous substances," "release," "solid waste" or "disposal," which is broader than that specified in either CERCLA or RCRA, such broader meaning shall apply. If Lessee becomes aware at any time during the terms of this Agreement or at any time subsequent thereto that Lessor's land or Lessee is in violation of any Applicable Environmental Laws due to act, actions or omission by Lessee, or its agents, employees, representatives, contractors, subcontractors, or permitted assigns, Lessee shall immediately disclose such facts in writing to Lessor. Lessee agrees to indemnify Lessor and hold Lessor harmless, as well as Lessor's agents, representatives, employees, heirs, successors, assigns and devisees, from and against any and all actions, liabilities, claims, damages (including consequential damages), penalties, forfeitures, administrative and judicial proceedings, and the costs and expenses incident thereto (including costs of defense, settlement and reasonable

expert witnesses and attorneys' fees), fines, charges, orders, remedial actions, requirements and enforcement actions of any kind, whether foreseeable or unforeseeable, which Lessor or its agents, representatives, employees, heirs, successors, assigns and devisees may hereafter incur or be a party to, be responsible for, or pay out as a result of death or bodily injury to an person, destruction or damage to any property, contamination of or adverse affect on the environment, or any violation of Applicable Environmental Laws, arising directly or indirectly, in whole or in part, out of:

- (a) Failure of any of Lessee's representations and warranties herein given to be true and correct;
- (b) Lessee's breach of any of its promises or obligations in this Agreement; or
- (c) Lessee's ownership, operations, occupancy, construction, use and maintenance on Lessor's lands.

The foregoing indemnity shall further apply to any residual contamination on or under Lessor's land, or affecting any natural resources therein, and to any contamination of Lessor's land or natural resources arising in connection with the generation, use, handling, storage, transport or disposal of any Hazardous Substances, resulting from a violation of the Applicable Environmental Laws as such laws existed at the time of violation thereof.

27. **Insurance.** In the event Lessee is permitted to conduct operations on the leased premises, then during the term of this Lease as to all or any portion of the leased premises, Lessee shall obtain and maintain at Lessee's sole cost and expense, commercial general liability insurance; business auto liability insurance; and workman's compensation insurance and employers liability insurance on its employees. Such commercial general liability insurance shall cover liability from premises, operations, independent contractors, products-completed operations, personal injury and advertising injury, liability assumed under an insured contract, pollution legal liability, salt water contamination and well control/blowout; shall provide for insured limits for bodily injury or death of not less than \$3,000,000 per occurrence limit (if such commercial general liability insurance contains a general aggregate limit, it shall apply separately to the Leased Premises); and shall name Lessor as an additional insured. Such business auto liability insurance shall cover liability arising out of any auto, truck or other vehicle driven onto the Leased Premises (including owned, hired, and non-owned autos). Workman's compensation insurance shall be for the statutory limits. All insurance requirements above may be met by a combination of self-insurance, primary and excess insurance policies. Lessee shall furnish to Lessor, prior to conducting any permitted activities on the Leased Premises certificates of such insurance issued by insurance companies licensed to do business in the State of Texas. The policies shall contain cross-liability and severability of interest endorsements, state that the insurance is primary insurance as regards any other insurance carried by Lessor, and shall include a waiver of subrogation in favor of Lessor and its employees, agents, representatives, successors and assigns. Such insurance shall state that Lessor will be notified in writing 30 days prior to cancellation, material change, or non-renewal of insurance. Lessee shall provide to Lessor a certified copy of any and all applicable insurance policies upon written request of Lessor. Timely renewal certificates will be provided as the coverage renews. Lessee agrees that if such insurance policies are not kept in force during the entire term of this Lease, Lessor may, but is not obligated to, procure the necessary insurance and pay the premiums therefor. Lessee agrees that such premiums shall be repaid to Lessor on demand. All contractors hired by Lessee that will enter on the leased premises shall also be required to carry standard insurance coverages with limits reasonable for the type of work performed.

28. **Separate Tracts/Separate Leases.** This Lease, insofar as it covers each of the separate tracts or sites described in attached Exhibit A, shall be considered a separate and distinct lease. All of the Land is included in this Lease only for simplicity. The provisions of this Lease will apply to each separate tract or site independently, and Lessee can maintain this Lease as to each separate tract or site only by operations on or production from (i) each separate tract or site, or (ii) the land with which each separate tract or site is properly pooled in accordance with the terms of this Lease.

29. **Plugging of Abandoned Wells.** Lessee agrees to plug, in accordance with the rules and regulations of the Railroad Commission of Texas or other governmental authority having jurisdiction, all dry holes drilled by

Lessee on the Leased Premises and all wells, which have once produced, but which have ceased producing in paying quantities.

30. **Limitation on Use of Surface.** It is agreed between Lessor and Lessee that, notwithstanding any language in this lease to the contrary, Lessee's use of the surface of the Property is limited solely to performing geophysical operations, making surveys, using existing roads and/or driveways for the passage of passenger vehicles and trucks, such other limited purposes to which Lessor gives its prior written consent. This permission is expressly conditioned upon the following:

(a) Lessee must provide Lessor with at least 2 business days' prior written notice of its intent to use the surface of the Property.

(b) Lessee will use good faith efforts to limit its use of the surface to times when Lessor is closed for business.

(c) Lessee will not perform any invasive tests or studies of the Property without Lessor's express written consent.

(d) If the Property is damaged in any way, Lessee must restore the Property to the condition it was in immediately prior to Lessee's entrance on the Property. The restoration must be completed within 5 business days following Lessee's entry.

**Lessee agrees to indemnify and defend (with counsel reasonably satisfactory to Lessor) Lessor, Lessor's officers, directors, employees, customer, invitees, and agents, from and against all losses, claims, costs, damages, and liabilities arising out of or in connection, directly or indirectly, with any entry upon the Property by Lessee and its agents, servants, employees, contractors, or sub-contractors, including, without limitation, attorneys' fees and court costs and expenses, whether at the trial or appellate level. The provisions of this paragraph survive the termination of this lease.**

31. **Audit Rights.** Lessor or Lessor's authorized representatives have the right no more frequently than once during any 12-month period and at Lessor's expense to inspect, audit, and copy Lessee's books and records relating to any royalty payment made to Lessor. Any inspection and audit will be conducted in Lessee's offices during normal business hours. If the royalty payments to Lessor are determined to have been incorrect, an appropriate payment must be made to Lessor within 30 days after the completion of Lessor's audit. Lessee must reimburse Lessor for the reasonable cost of any inspection and audit if it reveals that the royalty payment(s) were misstated by more than 3%. The right provided in this Section 30 shall be independent of and in addition to, and shall not limit, any rights that Lessor may have under Texas law

END OF EXHIBIT "B"



DALE RESOURCES LLC  
2100 ROSS AVE STE 1870 LB-9

DALLAS TX 75201

Submitter: DALE RESOURCES LLC

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SUZANNE HENDERSON  
TARRANT COUNTY CLERK  
TARRANT COUNTY COURTHOUSE  
100 WEST WEATHERFORD  
FORT WORTH, TX 76196-0401

**DO NOT DESTROY**  
**WARNING - THIS IS PART OF THE OFFICIAL RECORD.**

Filed For Registration: 05/15/2008 07:57 AM  
Instrument #: D208180481  
LSE 13 PGS \$60.00

By: \_\_\_\_\_



**D208180481**

ANY PROVISION WHICH RESTRICTS THE SALE, RENTAL OR USE  
OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR  
RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

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